La Puente Valley County Water District

Annual Financial Report

For the Fiscal Years Ended December 31, 2020 and 2019

Mission Statement

The mission of the La Puente Valley County Water District is to provide its customers with high quality water for residential, commercial, industrial and fire protection uses that meets or exceeds all local, state and federal standards and to provide courteous and responsive service at the most reasonable cost.

Board of Directors as of December 31, 2020

Name	Title	Elected/ Appointed	Current Term
William R. Rojas	President	Elected	November 2024
Cesar J. Barajas	Vice President	Elected	November 2022
David Argudo	Director	Elected	November 2024
John P. Escalera	Director	Elected	November 2022
Henry P. Hernandez	Director	Elected	November 2022

La Puente Valley County Water District
Roy Frausto, General Manager
112 N. First Street
La Puente, California 91744
(626) 330-2126 – www.lapuentewater.com

La Puente Valley County Water District

Annual Financial Report

For the Fiscal Years Ended December 31, 2020 and 2019

La Puente Valley County Water District
Annual Financial Report
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<u>Table of Contents</u>

Financial Section

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Independent Auditor's Report

Board of Directors
La Puente Valley County Water District
La Puente, California

Report on the Financial Statements

We have audited the accompanying financial statements of the La Puente Valley County Water District (District), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the La Puente Valley County Water District as of December 31, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the required supplementary schedules on pages 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 24, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 54 and 55.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
May 24, 2021

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the La Puente Valley County Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended December 31, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2020, the District's net position increased 0.56% or $63,094 to $11,339,363 as a result of ongoing operations. In fiscal year 2019, the District's net position increased 2.51% or $276,155 to $11,276,269 due as a result of ongoing operations.
- In fiscal year 2020, the District's total revenues increased 10.38% or $490,769 to $5,218,165. In fiscal year 2019, the District's total revenues increased 0.72% or $33,864 to $4,727,396.
- In fiscal year 2020, the District's total expenses increased 8.32% or $411,300 to $5,354,434. In fiscal year 2019, the District's total expenses increased 0.50% or $24,426 to $4,943,134.
- In fiscal year 2020, the District's capital contributions decreased 59.47% or $292,530 to $199,363. In fiscal year 2019, the District's capital contributions increased 125.95% or $274,196 to $491,893.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), deferred inflows of resources and net position. They also provide the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current and prior years' revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. These statements measure the success of the District's operations over the past years and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provide information about the District's cash receipts and cash payments during the reporting periods. The Statement of Cash Flows report cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Financial Analysis of the District, continued

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 50.

Statements of Net Position

Condensed Statements of Net Position

	2020	2019	Change	As Restated 2018	Change
Assets:					
Current assets	$ 4,828,165	4,795,869	32,296	4,525,355	270,514
Non-current assets	208,770	222,470	(13,700)	33,872	188,598
Capital assets, net	9,895,120	8,213,428	1,681,692	7,832,940	380,488
Total assets	14,932,055	13,231,767	1,700,288	11,531,479	(9,831,191)
Deferred outflows of resources	1,739,071	295,102	1,443,969	216,368	78,734
Liabilities:					
Current liabilities	628,548	500,886	127,662	329,966	170,920
Non-current liabilities	4,115,822	1,703,572	2,412,250	1,632,929	70,643
Total liabilities	4,744,370	2,204,458	2,539,912	1,962,895	241,563
Deferred inflows of resources	587,393	41,944	545,449	42,824	(880)
Net position:					
Investment in capital assets	9,895,120	8,213,428	1,681,692	7,832,940	380,488
Unrestricted	1,444,243	3,062,841	(1,618,598)	3,167,174	(104,333)
Total net position	$ 11,339,363	11,276,269	63,094	11,000,114	276,155

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $11,339,363 and $11,276,269 as of December 31, 2020 and 2019, respectively.

A portion of the District's net position, 87.26% and 72.84% as of December 31, 2020 and 2019, respectively, reflects the District's investment in capital assets net of accumulated depreciation. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of the fiscal years 2020 and 2019, the District showed a positive balance in its unrestricted net position of $1,444,243 and $3,062,841, respectively. See note 10 for a detailed analysis.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

		2020	2019	Change	As Restated 2018	Change
Revenues:						
Operating revenues	$	4,828,829	4,295,517	533,312	4,347,204	(51,687)
Non-operating revenues		389,336	431,879	(42,543)	346,328	85,551
Total revenues		5,218,165	4,727,396	490,769	4,693,532	33,864
Expenses:						
Operating expenses		4,798,527	4,428,516	370,011	4,398,328	30,188
Non-operating expense		37,781	-	37,781	-	-
Depreciation expense		518,126	514,618	3,508	520,380	(5,762)
Total expenses		5,354,434	4,943,134	411,300	4,918,708	24,426
Net loss before capital contributions		(136,269)	(215,738)	79,469	(225,176)	9,438
Capital contributions		199,363	491,893	(292,530)	217,697	274,196
Change in net position		63,094	276,155	(213,061)	(7,479)	283,634
Net position, beginning of year – as previously stated		11,276,269	11,000,114	276,155	10,675,395	324,719
Prior period adjustment		-	-	-	332,198	(332,198)
Net position, beginning of year – as restated		11,276,269	11,000,114	276,155	11,007,593	(7,479)
Net position, end of year	$	11,339,363	11,276,269	63,094	11,000,114	276,155

The Statements of Revenues, Expenses and Changes in Net Position show how the District's net position changed during the year. In the case of the District, net position increased 0.56% or $63,094 to $11,339,363 due to a decrease of $136,269 from ongoing operations offset by $199,363 in capital contributions for the current year. In fiscal year 2019, the District's net position increased 2.51% or $276,155 to $11,276,269 due to a decrease of $215,738 from ongoing operations offset by $491,893 in capital contributions.

A closer examination of the sources of changes in net position reveals that:

The District's total revenues increased 10.38% or $490,769 to $5,218,165. In fiscal year 2019, the District's total revenues increased 0.72% or $33,864 to $4,727,396 from prior year.

Statements of Revenues, Expenses and Changes in Net Position, continued

The District's operating revenues increased 12.42% or $533,312 to $4,828,829, due primarily to increases of $168,454 in water treatment services – Baldwin Park Operable Unit (BPOU), $161,250 in project management fees – Puente Valley Operable Unit Intermediate Zone, $155,587 in water consumption sales, $56,731 in bi-monthly service charges and $18,344 in water treatment contracted labor (BPOU), which were offset by decreases of $24,454 in other water service charges as compared to prior year. In fiscal year 2019, the District's operating revenues decreased 1.19% or $51,687 to $4,295,517, due primarily to decreases of $145,149 in water treatment services (BPOU) and $15,998 in water treatment contracted labor (BPOU), which were offset by increases of $59,411 in bi-monthly service charges and $48,959 in water consumption sales from prior year.

The District's non-operating revenues decreased 9.85% or $42,543 to $389,336, due primarily to a decrease of $50,513 in investment earnings offset by an increase of $10,635 in other non-operating revenues as compared to prior year. In fiscal year 2019, the District's non-operating revenues increased 24.70% or $85,551 to $431,879, due primarily to increases of $39,384 in property taxes, $25,195 in investment earnings and $15,301 in other non-operating revenues as compared to the prior year.

The District's total expenses increased 8.25% or $407,800 to $5,350,934. In fiscal year 2019, the District's total expenses increased 0.50% or $24,426 to $4,943,134.

The District's operating expenses increased 8.32% or $411,300 to $4,798,527, due primarily to increases of $198,281 in salaries and benefits due primarily to the implementation of GASB 68 and 75 in the current fiscal year, $171,247 in water treatment service costs (BPOU), $58,106 in assessments, $30,468 in general and administrative expenses, and $18,344 in water treatment contracted labor costs (BPOU), which were offset by decreases of $57,940 in pumping costs and $44,901 in transmission and distribution costs as compared to the prior year. In fiscal year 2019, the District's operating expenses increased 0.69% or $30,188 to $4,428,516, due primarily to increases of $103,571 in source of supply, $56,924 in assessments, $55,409 in pumping, $48,099 in salaries and benefits and $18,640 in transmission and distribution, which were offset by decreases of $157,994 in water treatment costs, $72,981 in general and administrative expenses and $15,998 in water treatment contracted labor costs as compared to the prior year.

The District's non-operating expenses increased 100.00% or $37,781, due primarily to increases of $26,781 in interest expense and $11,000 in debt issuance costs from the acquisition of the OPUS Bank installment loan as compared to the prior year. In fiscal year 2019, there were no reportable non-operating expenses.

The District's depreciation expense increased 0.68% or $3,508 to $518,126 due primarily to prior year's asset additions offset by the maturing of existing capital assets. In fiscal year 2019, the District's depreciation expense decreased 1.11% or $5,762 to $514,618, due primarily to the maturing of existing capital assets.

The District's capital contributions decreased 59.47% or $292,530 to $199,363, due primarily to a decrease of $296,775 in capital contributions from developers as compared to the prior year. In fiscal year 2019, the District's capital contributions increased 125.95% or $274,196 to $491,893, due primarily to increases of $150,000 in contributions from another agency for the purpose of construction of the nitrate treatment plant, $107,032 in capital contributions from developers, and $17,164 in developer fees as compared to the prior year.

Capital Asset Administration

At the end of fiscal years 2020 and 2019, the District's investment in capital assets amounted to $9,895,120 and $8,213,428 (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction-in-process, water treatment plant, transmission and distribution, pumps and reservoirs, buildings and structures, equipment, vehicles, and software. See further detailed information in note 5.

Changes in capital asset amounts for 2020, were as follows:

		Balance 2019	Transfers/ Additions	Transfers/ Deletions	Balance 2020
Capital assets:					
Non-depreciable assets	$	584,271	2,199,816	(307,410)	2,476,677
Depreciable assets		25,212,123	307,411	(179,206)	25,340,328
Accumulated depreciation		(17,582,966)	(518,125)	179,206	(17,921,885)
Total capital assets, net	$	8,213,428	1,989,102	(307,410)	9,895,120

Changes in capital asset amounts for 2019, were as follows:

		Balance 2018	Additions	Transfers/ Deletions	Balance 2019
Capital assets:					
Non-depreciable assets	$	925,832	892,089	(1,233,650)	584,271
Depreciable assets		24,511,598	1,236,667	(536,142)	25,212,123
Accumulated depreciation		(17,604,490)	(514,618)	536,142	(17,582,966)
Total capital assets, net	$	7,832,940	1,614,138	(1,233,650)	8,213,428

Debt Administration

Changes in long-term debt amounts for 2020, were as follows:

Long-term debt:		Balance 2019	Additions	Payments	Balance 2020
Loans payable:					
Installment loan	$	-	1,489,539	(62,612)	1,426,927
Long-term debt	$	-	1,489,539	(62,612)	1,426,927

In 2020, long-term debt decreased by $62,612, due to scheduled principal payments. See further detailed information in note 7.

Conditions Affecting Current Financial Position

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the duration cannot be estimated at this time.

Management is unaware of any other conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact: Roy Frausto, General Manager of La Puente Valley County Water District at 112 N. First Street, La Puente, CA 91744 or by phone (626) 330-2126.

Basic Financial Statements

La Puente Valley County Water District
Statements of Net Position
December 31, 2020 and 2019

		2020	2019
Current assets:			
Cash and cash equivalents (note 2)	$	3,672,777	3,339,111
Investments (note 2)		-	102,147
Accrued interest receivable		4,692	17,390
Accounts receivable – water sales and services		416,310	346,791
Accounts receivable – other (note 3)		294,165	560,657
Accounts receivable – property taxes		38,733	39,096
Materials and supplies inventory		113,518	93,050
Prepaid expenses		43,024	43,086
Prepaid water rights (note 4)		244,946	254,541
Total current assets		4,828,165	4,795,869
Non-current assets:			
Prepaid water rights (note 4)		208,770	222,470
Capital assets – not being depreciated (note 5)		2,476,677	584,271
Capital assets – being depreciated, net (note 5)		7,418,443	7,629,157
Total non-current assets		10,103,890	8,435,898
Total assets		14,932,055	13,231,767
Deferred outflows of resources:			
Deferred other post-employment benefits outflows (note 8)		1,501,026	78,182
Deferred pension outflows (note 9)		238,045	216,920
Total deferred outflows of resources		1,739,071	295,102
Current liabilities:			
Accounts payable and accrued expenses		450,567	459,359
Developer deposits		9,915	-
Customer deposits		8,085	2,085
Interest payable		13,905	-
Long-term liabilities – due in one year:			
Compensated absences (note 6)		32,272	39,442
Loan payable (note 7)		113,804	-
Total current liabilities		628,548	500,886
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 6)		32,272	39,442
Loan payable (note 7)		1,313,123	-
Net other post-employment benefits liability (note 8)		1,971,009	961,293
Net pension liability (note 9)		799,418	702,837
Total non-current liabilities		4,115,822	1,703,572
Total liabilities		4,744,370	2,204,458
Deferred inflows of resources:			
Deferred other post-employment benefits inflows (note 8)		537,490	4,198
Deferred pension inflows (note 9)		49,903	41,944
Total deferred inflows of resources		587,393	46,142
Net position: (note 10)			
Net investment in capital assets		9,895,120	8,213,428
Unrestricted		1,444,243	3,062,841
Total net position	$	11,339,363	11,276,269

See accompanying notes to the basic financial statements

La Puente Valley County Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended December 31, 2020 and 2019

		2020	2019
Operating revenues:			
Water operation revenues:			
Water consumption sales	$	1,484,273	1,328,686
Bi-monthly service charges		728,382	671,651
Other water service charges		10,447	34,901
Fire services		65,418	61,501
Water surplus sales		53,784	53,504
Total water service charges		2,342,304	2,150,243
Facility and service contract revenue: (note 11)			
Water treatment services – BPOU		1,050,580	882,126
Water treatment operations and maintenance fees – BPOU		78,030	76,500
Water treatment contracted labor – BPOU		306,723	288,379
Water treatment other charges – BPOU		10,194	11,710
Retail water distribution system management fee – City of Industry		193,214	189,426
Retail water distribution system contracted labor – City of Industry		677,728	683,483
Project management fee – PVOU IZ		161,250	-
Project administrative services – PVOU IZ		822	2,983
Project contracted labor – PVOU IZ		7,984	10,667
Total facility and service contract revenue		2,486,525	2,145,274
Total operating revenues		4,828,829	4,295,517
Operating expenses:			
Water operation expenses:			
Source of supply		481,093	480,906
Transmission and distribution		314,248	359,149
Pumping		106,165	164,105
Assessments		304,618	246,512
Water treatment		2,868	3,125
Customer accounts		27,999	23,085
General and administrative		320,266	289,798
Salaries and benefits		1,285,939	1,087,658
Total water operation expenses		2,843,196	2,654,338
Facility and service contract expenses: (note 11)			
Water treatment service costs – BPOU		962,896	791,649
Water treatment contracted labor costs – BPOU		306,723	288,379
Retail water distribution system contracted labor costs – City of Industry		677,728	683,483
Project contracted labor costs – PVOU IZ		7,984	10,667
Total facility and service contract expenses		1,955,331	1,774,178
Total operating expenses		4,798,527	4,428,516
Operating loss before depreciation expense		30,302	(132,999)
Depreciation expense		(518,126)	(514,618)
Operating loss	$	(487,824)	(647,617)

Continued on next page

See accompanying notes to the basic financial statements

La Puente Valley County Water District
Statements of Revenues, Expenses and Changes in Net Position, continued
For the Fiscal Years Ended December 31, 2020 and 2019

		2020	2019
Non-operating revenue(expense):			
Property taxes	$	290,492	283,793
Investment earnings		33,237	83,750
Rental revenue (note 12)		35,315	37,119
Interest expense		(26,781)	-
Debt issuance costs		(11,000)	-
Gain from disposition of capital assets		-	7,560
Other non-operating revenues		30,292	19,657
Total non-operating, net		351,555	431,879
Net loss before capital contributions		(136,269)	(215,738)
Capital contributions:			
Capital contributions – developer		23,417	320,192
Capital contribution – other local agency		150,000	150,000
Developer fees		25,946	21,701
Total capital contributions		199,363	491,893
Change in net position		63,094	276,155
Net position, beginning of year – as previously stated		11,276,269	11,000,114
Net position, end of year	$	11,339,363	11,276,269

See accompanying notes to the basic financial statements

La Puente Valley County Water District
Statements of Cash Flows
For the Fiscal Years Ended December 31, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Cash receipts from customers for water sales and services	$	2,288,700	2,114,203
Cash receipts from facility and service contract revenue		1,760,582	956,452
Cash receipts from others		65,607	56,777
Cash paid to vendors and suppliers for materials and services		(2,526,056)	(2,195,580)
Cash paid to employees for salaries and wages		(1,096,700)	(991,726)
Net cash provided by (used in) operating activities		492,133	(59,874)
Cash flows from non-capital financing activities:			
Proceeds from property taxes		290,855	277,365
Net cash provided by non-capital financing activities		290,855	277,365
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(2,199,818)	(895,107)
Proceeds from capital contributions		199,363	491,893
Proceeds from the sale of capital assets		-	7,560
Proceeds from loan payable		1,489,539	-
Issuance cost payments on loan payable		(11,000)	-
Principal payments on loan payable		(62,612)	-
Interest payments on loan payable		(12,876)	-
Net cash used in capital and related financing activities		(597,404)	(395,654)
Cash flows from investing activities:			
Interest and investment earnings		148,082	337,661
Net cash provided by investing activities		148,082	337,661
Net increase in cash and cash equivalents		333,666	159,498
Cash and cash equivalents:			
Beginning of year		3,339,111	3,179,613
End of year	$	3,672,777	3,339,111

Continued on next page

See accompanying notes to the basic financial statements

La Puente Valley County Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended December 31, 2020 and 2019

		2020	2019
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	$	(487,824)	(647,617)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense		518,126	514,618
Rental revenue		35,315	37,119
Other non-operating revenues		30,292	19,658
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
(Increase)Decrease in assets:			
Accounts receivable – water sales and services		(69,519)	(22,783)
Accounts receivable – other		266,492	(206,293)
Materials and supplies inventory		(20,468)	(2,775)
Prepaid expenses		62	(15,977)
Prepaid water rights		23,295	731
(Increase)Decrease in deferred outflows of resources:			
Deferred other post-employment benefits outflows		(1,422,844)	9,489
Deferred pension outflows		(21,125)	(7,760)
Increase(Decrease) in liabilities:			
Accounts payable and accrued expenses		(8,792)	180,770
Developer deposits		9,915	(10,257)
Customer deposits		6,000	(3,000)
Compensated absences		(14,340)	6,814
Net other post-employment benefits liability		1,009,716	(23,195)
Net pension liability		96,581	90,431
Increase (Decrease) in deferred inflows of resources:			
Deferred other post-employment benefits inflows		533,292	4,198
Deferred pension inflows		7,959	15,955
Total adjustments		979,957	587,743
Net cash provided by (used in) operating activities	$	492,133	(59,874)

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The La Puente Valley County Water District (District) was incorporated in August 1924, an independent special district, which operates under the authority of Division 12 of the California Water Code. On April 28, 1925, voters approved a general obligation bond issue for $135,000. Proceeds of the Bonds were used to purchase the Puente City Water Company for $35,000 and pay for construction of almost five miles of fourteen and sixteen inch water mains extending from Puente Avenue and Francisquito Avenue to the Hudson Street booster plant and from there to the reservoir on the easterly end of Main Street in La Puente. The last of the bonds were retired in 1964. Since inception, the District has grown to encompass some 1,600 acres in Los Angeles County. The District provides water for residential and commercial purposes, as well as operates and maintains the water distribution system for the City of Industry and the operation and maintenance of groundwater treatment for the Baldwin Park Operable Unit area. The District is governed by a five-member board of directors elected within the District's service area.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable for a component unit that has substantively the same governing body, and additionally (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), water treatment services, capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

The District recognizes revenue from water and service charges based on cycle billings preformed bi-monthly. The District accrues revenues with respect to water and service sold but not billed at the end of a fiscal period.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

The District has adopted the following GASB pronouncement in the current year:

Governmental Accounting Standards Board Statement No. 95

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on District and the duration cannot be estimated at this time.

3. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

4. Investments and Investment Policy

The District has adopted an investment policy directing management to deposit funds in financial institutions. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. Investments are to be made in the following areas:

a. State of California Local Area Investment Fund (LAIF)
b. Certificates-of-deposit

5. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – This valuation level is based on quoted prices in active markets for identical assets. The District does not currently hold any investments valued at this level.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

5. Fair Value Measurements, continued

- **Level 2** – This valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals. The District currently holds certificates of deposit investments valued at this level.
- **Level 3** – This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market. The District does not currently hold any investments valued at this level.

The District's investment in LAIF is valued at amortized cost therefore the District has determined it does not meet fair value measurement criteria.

6. Accounts Receivable

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the direct write-off method for those accounts based on individual customer evaluation and specific circumstances.

7. Materials and Supplies Inventory

Materials and supplies inventory consist primarily of water pipe and pipefittings for construction and repair to the District's water treatment and distribution system. Materials and supplies are valued at cost using a weighted average method. Inventory items are charged to expense at the time the items are withdrawn from inventory or consumed.

8. Prepaid Expenses and Prepaid Water Rights

Certain payments to vendors reflect costs or deposits applicable to future accounting periods are recorded as prepaid items in the basic financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets as follows: (1) $10,000 for land, plant, buildings and related improvements, (2) $5,000 for infrastructure, and (3) $2,000 for vehicles and equipment. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

9. Capital Assets, continued

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Water treatment plant	25 years
Transmission and distribution	20-50 years
Pumps and reservoirs	10-33 years
Buildings and structures	10 years
Tools and equipment	10-30 years
Automotive equipment	5-7 years
Office equipment and fixtures	5-10 years
Radio equipment	10 years
Software	10 years

10. Deferred Outflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time.

The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net OPEB liability. This amount will be amortized-in-full against the net OPEB liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the Plan.

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan. In the prior year, this item was reported as a deferred inflow.
- Deferred outflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension Plans' fiduciary net position. This amount is amortized over a 5-year period.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

11. Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated.

12. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. At December 31, 2020 and 2019, the following timeframes were used:

- Valuation Date: June 30, 2020 and June 30, 2017
- Measurement Dates: June 30, 2020 and June 30, 2019
- Measurement Periods: July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019

13. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. At December 31, 2020 and 2019, the following timeframes were used:

- Valuation Dates: June 30, 2019 and June 30, 2018
- Measurement Dates: June 30, 2020 and June 30, 2019
- Measurement Periods: July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019

14. Deferred Inflows of Resources

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time.

The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB benefits through the Plan.
- Deferred inflow for the net difference in projected and actual earnings on investments of the OPEB Plans' fiduciary net position. This amount is amortized over a 5-year period.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

14. Deferred Inflows of Resources, continued

Pensions

- Deferred inflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflow for the net differences in actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

15. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Investment in Capital Assets Component of Net Position** – This component of net position consists of capital assets net of accumulated depreciation.
- **Unrestricted Component of Net Position** – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the investment in capital assets.

16. Property Taxes and Assessments

The County of Los Angeles Assessor's Office assesses all real and personal property within the County each year. The County of Los Angeles Collector's Office bills and collects the District's share of property taxes and assessments. The County of Los Angeles Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Los Angeles, which have not been credited to the District's cash balance as of December 31. The property tax calendar is as follows:

Lien date	January 1
Levy date	June 30
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

17. Water and Sewer Service Charges

The District recognizes water and sewer services charges based on cycle billings rendered to the customers on a bi-monthly basis.

18. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

19. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

(2) Cash and Investments

Cash and investments as of December 31 are classified in the Statements of Net Position as follows:

	2020	2019
Cash and cash equivalents	$ 3,672,777	3,339,111
Investments – current	-	102,147
Total cash and investments	$ 3,672,777	3,441,258

Cash and investments as of December 31 consisted of the following:

	2020	2019
Cash on hand	$ 300	300
Deposits with financial institutions	698,132	309,974
Investments	2,974,345	3,130,984
Total cash and investments	$ 3,672,777	3,441,258

(2) Cash and Investments, continued

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
State and Local Agency Bonds	5 years	100%	None
U.S. Treasury Obligations	5 years**	100%	None
U.S. Government Agency Securities	5 years**	100%	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase agreements	1 year	100%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
California Local Agency Investment Fund (LAIF)	N/A	100%	None
Beneficial Interest of a Joint Power Authority	N/A	100%	None

* Excluding amounts held by bond trustee that are not subject to California Government Code.

** Except when authorized by the District's legislative body in accordance with Government Code Section

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

(2) Cash and Investments, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the District's bank balances, up to $250,000 is federally insured. The remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Investment maturities as of December 31, 2020, were as follows:

		Remaining Maturity (in Months)		
Investment Type	**Amount**	**12 Months Or Less**	**13 to 24 Months**	**25-60 Months**
Local Agency Investment Fund (LAIF)	$ 2,974,345	2,974,345	-	-

Investment maturities as of December 31, 2019, were as follows:

		Remaining Maturity (in Months)		
Investment Type	**Amount**	**12 Months Or Less**	**13 to 24 Months**	**25-60 Months**
Local Agency Investment Fund (LAIF)	$ 3,028,837	3,028,837	-	-
Certificates of Deposit	102,147	102,147	-	-
Total	$ 3,130,984	3,130,984	-	-

(2) Cash and Investments, continued

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the years ended for each investment type.

Credit ratings as of December 31, 2020, were as follows:

Investment Type	Amount	Minimum Legal Rating	Rating as of year-end Not Rated
Local Agency Investment Fund (LAIF)	$ 2,974,345	N/A	$ 2,974,345

Credit ratings as of December 31, 2019, were as follows:

Investment Type	Amount	Minimum Legal Rating	Rating as of year-end Not Rated
Local Agency Investment Fund (LAIF)	$ 3,028,837	N/A	$ 3,028,837
Certificates of Deposit	102,147	N/A	102,147
Total	$ 3,130,984		$ 3,130,984

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Fair Value Measurements

As of December 31, 2020, there were no investments measured at fair value.

Investments measured at fair value as of December 31, 2019, on a recurring and non-recurring basis, were as follows:

		Fair Value Measurements Using		
Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	$ 102,147	-	102,147	-
Investments at Amortized Cost:				
Local Agency Investment Fund (LAIF)	3,028,837			
Total	$ 3,130,984			

(3) Accounts Receivable – Other

At December 31 accounts receivable – other was comprised of the following balances by vendor:

		2020	2019
San Gabriel Basin Water Quality Authority	$	187,983	423,046
Industry Public Utilities		88,980	103,779
Northrop Grumman Systems Corporation		3,331	3,049
Suburban Water Systems		13,871	14,995
City of La Puente		-	15,501
City of Industry		-	287
Total accounts receivable – other	$	294,165	560,657

(4) Prepaid Water Rights

Prepaid water rights as of December 31, 2020, were as follows:

	Balance 2019	Additions	Deletions	Balance 2020	Current Portion	Long-term Portion
$	477,011	244,946	(268,241)	453,716	244,946	208,770

Prepaid water rights as of December 31, 2019, were as follows:

	Balance 2018	Additions	Deletions	Balance 2019	Current Portion	Long-term Portion
$	477,742	254,541	(255,272)	477,011	254,541	222,470

On May 7, 2009, the District purchased 2,000 acre feet of untreated cyclic storage water from the Main San Gabriel Basin Watermaster at a cost of $251.90 per acre-foot. The balance is expected to be utilized in the future fiscal years and therefore is classified as current. At December 31, 2019, the remaining available water from the initial purchase amounted to $222,470. At December 31, 2020, the remaining available water from the initial purchase amounted to $208,770.

On July 1, 2015, the District entered into an agreement for the purchase commitment of leased water production rights for 2018, 2019, and 2020. The available water production rights for lease are determined by Watermaster's Operating Safe Yield, which is typically set in May of each year. The District has agreed to lease the rights at 91% of the price to purchase replenishment water from another governmental agency effective July of each year. The District estimated there are a total of 313.72 acre-feet of water production rights available for lease at a cost of $780.78 per acre-foot. The balance is expected to be utilized in the following fiscal year and therefore is classified as current. As of December 31, 2020 and 2019, the District prepaid for the water production rights in the amount of $244,946 and $254,541, respectively. For further information, please see note 16.

(5) Capital Assets

Construction-In-Progress

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-progress balances at December 31 were as follows:

	2020	2019
Recycled water project	$ 1,999,310	113,942
Well 5 rehabilitation project	-	192,036
Nitrate treatment plant	280,290	95,065
Meter reading collection system	13,849	-
Total construction-in-process	$ 2,293,449	401,043

Changes in capital assets for December 31 were as follows:

	Balance 2019	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Non-depreciable assets:				
Land	$ 183,228	-	-	183,228
Construction-in-process	401,043	2,199,816	(307,410)	2,293,449
Total non-depreciable assets	584,271	2,199,816	(307,410)	2,476,677
Depreciable assets:				
Water treatment plant	10,866,325	-	(100,690)	10,765,635
Transmission and distribution	10,169,408	284,974	(78,516)	10,375,866
Pumps and reservoirs	2,636,944	-	-	2,636,944
Buildings and structures	503,438	22,437	-	525,875
Tools and equipment	628,868	-	-	628,868
Automotive equipment	335,239	-	-	335,239
Office equipment and fixtures	49,867	-	-	49,867
Radio equipment	12,944	-	-	12,944
Software	9,090	-	-	9,090
Total depreciable assets	25,212,123	307,411	(179,206)	25,340,328
Accumulated depreciation:				
Water treatment plant	(9,373,916)	(98,271)	100,690	(9,371,497)
Transmission and distribution	(5,760,729)	(287,502)	78,516	(5,969,715)
Pumps and reservoirs	(1,356,850)	(71,206)	-	(1,428,056)
Buildings and structures	(418,369)	(25,172)	-	(443,541)
Tools and equipment	(416,352)	(5,411)	-	(421,763)
Automotive equipment	(219,872)	(24,927)	-	(244,799)
Office equipment and fixtures	(31,328)	(2,524)	-	(33,852)
Radio equipment	(3,883)	(1,295)	-	(5,178)
Software	(1,667)	(1,817)	-	(3,484)
Total accumulated depreciation	(17,582,966)	(518,125)	179,206	(17,921,885)
Total depreciable assets, net	7,629,157	(210,714)	-	7,418,443
Total capital assets, net	$ 8,213,428	1,989,102	(307,410)	9,895,120

(5) Capital Assets, continued

Changes in capital assets for December 31 were as follows:

	Balance 2018	Additions/ Transfers	Deletions/ Transfers	Balance 2019
Non-depreciable assets:				
Land	$ 183,228	-	-	183,228
Construction-in-process	742,604	892,089	(1,233,650)	401,043
Total non-depreciable assets	925,832	892,089	(1,233,650)	584,271
Depreciable assets:				
Water treatment plant	10,866,325	-	-	10,866,325
Transmission and distribution	9,474,942	1,164,892	(470,426)	10,169,408
Pumps and reservoirs	2,636,944	-	-	2,636,944
Buildings and structures	503,438	-	-	503,438
Tools and equipment	628,868	-	-	628,868
Automotive equipment	313,873	62,686	(41,320)	335,239
Office equipment and fixtures	49,867	-	-	49,867
Radio equipment	12,944	-	-	12,944
Software	24,397	9,089	(24,396)	9,090
Total depreciable assets	24,511,598	1,236,667	(536,142)	25,212,123
Accumulated depreciation:				
Water treatment plant	(9,137,529)	(134,458)	(101,929)	(9,373,916)
Transmission and distribution	(5,981,359)	(249,796)	470,426	(5,760,729)
Pumps and reservoirs	(1,285,601)	(71,249)	-	(1,356,850)
Buildings and structures	(393,197)	(25,172)	-	(418,369)
Tools and equipment	(512,520)	(5,761)	101,929	(416,352)
Automotive equipment	(238,494)	(22,698)	41,320	(219,872)
Office equipment and fixtures	(28,805)	(2,523)	-	(31,328)
Radio equipment	(2,588)	(1,295)	-	(3,883)
Software	(24,397)	(1,666)	24,396	(1,667)
Total accumulated depreciation	(17,604,490)	(514,618)	536,142	(17,582,966)
Total depreciable assets, net	6,907,108	722,049	-	7,629,157
Total capital assets, net	$ 7,832,940	1,614,138	(1,233,650)	8,213,428

(6) Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

Changes in compensated absences for December 31 were as follows:

Balance 2019	Earned	Taken	Balance 2020	Current Portion	Long-term Portion
$ 78,884	53,061	(67,401)	64,544	32,272	32,272

(6) Compensated Absences, continued

Changes in compensated absences for December 31 were as follows:

Balance 2018	Earned	Taken	Balance 2019	Current Portion	Long-term Portion
$ 72,070	51,196	(44,382)	78,884	39,442	39,442

(7) Loan Payable

Changes in loan payable for the year ended June 30, were as follows:

Long-term debt:		Balance 2019	Additions	Payments	Balance 2020	Current Portion	Long-term Portion
Loans payable:							
Installment loan	$	-	1,489,539	(62,612)	1,426,927	113,804	1,313,123
Long-term debt	$	-	1,489,539	(62,612)	1,426,927	113,804	1,313,123

Opus Bank Installment Loan – 2020

On March 31, 2020, the District entered into an installment loan agreement with Opus Bank in the amount of $3,000,000, to provide funds for the purpose of financing the construction of the recycled water system and nitrate removal system. The interest rate on the loan is 3.00% per year. Principal and interest on the loan is payable in semi-annual installments due each September 1st and March 1st . The loan is expected to mature on March 1, 2040.

As of December 31, 2020, the loan balance had not yet been fully drawn. Future principal and interest obligations on the loan will be determined upon completion of the project.

(8) Other Post-Employment Benefits (OPEB) Plan

General Information about the OPEB Plan

Plan Description

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District's vesting requirements. The District participates in CalPERS California Employer's Retiree Benefit Trust Program (CERBT), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code. Copies of CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

Benefits Provided

The District provides post-retirement benefits for certain retired members of the Board of Directors and two retired employees. Effective December 31, 1991, the District began providing these benefits to eligible retired Directors or employees, at age 50 and with at least ten years of continuous service to the District. The benefits include medical, dental and vision insurance coverage. Effective January 9, 2012, the District modified the post-employment benefits for employees hired after November 1, 2011. These employees are eligible for post-employment benefits at age 55 and with at least twenty years of continuous service to the District.

Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the ACWA-JPIA medical, dental and vision programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

(8) Other Post-Employment Benefits (OPEB) Plan, continued

Employees Covered by Benefit Terms

Membership in the OPEB plan consisted of the following members as of December 31:

	2020	2019
Active plan members	13	13
Retirees and beneficiaries receiving benefits	6	2
Separated plan members entitled to but not yet receiving benefits	-	-
Total Plan membership	19	15

Contributions

The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District pays 100% of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District. The annual contribution is based on the actuarially determined contribution.

As of the fiscal years ended December 31, the contributions were as follows:

	2020	2019
Contributions – employer	$ 95,993	78,182

As of December 31, 2020 and 2019, the employer pension contributions were $95,993 and $78,182, respectively, which were reported as deferred outflows of resources related to contributions subsequent to the measurement date were recognized as a reduction of net OPEB liability in the fiscal year ended December 31, 2020 and 2019, respectively.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019 and 2018, and the total net liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

The net OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00 percent, per annum, in aggregate
Discount rate	6.00 percent, per annum, The discount rate assumes the District continues to fully fund for its retiree health benefits under its current investment strategy.
Healthcare cost trend rates	6.0% HMO & 6.5% PPO decreasing to 5.0% HMO & 5.0% PPO over future periods

(8) Other Post-Employment Benefits (OPEB) Plan, continued

Net OPEB Liability, continued

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

At the measurement date June 30, 2020, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class - CERBT	Target Allocation	Long-term Expected Real Return
Global Equity	22.0%	7.80%
Global Fixed Income	49.0%	4.50%
TIPS	16.0%	3.25%
Commodities	5.0%	7.80%
REITS	8.0%	7.50%
Total	100.0%	

At the measurement date June 30, 2019, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class - CERBT	Target Allocation	Long-term Expected Real Return
Global Equity	22.0%	5.50%
Global Fixed Income	49.0%	2.35%
TIPS	16.0%	1.50%
Commodities	5.0%	1.75%
REITS	8.0%	3.65%
Total	100.0%	

Discount Rate

The discount rate used to measure the net OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

(8) Other Post-Employment Benefits (OPEB) Plan, continued

Changes in the Net OPEB Liability

Changes in the net OPEB liability as of June 30, were as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	$ 1,976,762	1,015,469	961,293
Changes for the year:			
Service cost	88,905	-	88,905
Interest	119,982	-	119,982
Expected investment income	-	63,162	(63,162)
Experience (gains)/losses	1,569,520	-	1,569,520
Changes in assumptions	(574,335)	-	(574,335)
Investment gains/(losses)	-	3,279	(3,279)
Employer contributions	-	75,000	(75,000)
Employer contributions as benefit payments	-	3,182	(3,182)
Benefit payments, including refunds of member contributions	(3,182)	(3,182)	-
Administrative expenses	-	(523)	523
Expected minus actual benefit payments	(50,256)	-	(50,256)
Net changes	1,150,634	140,918	1,009,716
Balance at June 30, 2020	$ 3,127,396	1,156,387	1,971,009

Changes in the net OPEB liability as of June 30, were as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	$ 1,820,371	835,883	984,488
Changes for the year:			
Service cost	86,316	-	86,316
Interest	113,110	-	113,110
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	155,535	(155,535)
Net investment income	-	67,277	(67,277)
Benefit payments, including refunds of member contributions	(43,035)	(43,035)	-
Administrative expenses	-	(191)	191
Net changes	156,391	179,586	(23,195)
Balance at June 30, 2019	$ 1,976,762	1,015,469	961,293

(8) Other Post-Employment Benefits (OPEB) Plan, continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00 percent) or 1-percentage-point higher (7.00 percent) than the current discount rate:

At the measurement date June 30, 2020, the discount rate comparison was the following:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's net OPEB liability	$ 2,459,361	1,971,009	1,574,902

At the measurement date June 30, 2019, the discount rate comparison was the following:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's net OPEB liability	$ 1,276,249	961,293	706,222

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00/5.50 decreasing to 4.00/4.00 percent) or 1-percentage-point higher (7.00/7.50 decreasing to 6.00/6.00 percent) than the current healthcare cost trend rates:

At the measurement date June 30, 2020, the healthcare cost trend rate comparison was the following:

	1% Decrease (5.00%HMO/ 5.50%PPO decreasing to 4.00%HMO/ 4.00%PPO)	Current Healthcare Cost Trend Rates (6.00%HMO/ 6.50%PPO decreasing to 5.00%HMO/ 5.00%PPO)	1% Increase (7.00%HMO/ 7.50%PPO decreasing to 6.00%HMO/ 6.00%PPO)
District's net OPEB liability	$ 1,517,069	1,971,009	2,545,339

(8) Other Post-Employment Benefits (OPEB) Plan, continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

At the measurement date June 30, 2019, the healthcare cost trend rate comparison was the following:

		1% Decrease (5.00%HMO/ 5.50%PPO decreasing to 4.00%HMO/ 4.00%PPO)	Current Healthcare Cost Trend Rates (6.00%HMO/ 6.50%PPO decreasing to 5.00%HMO/ 5.00%PPO)	1% Increase (7.00%HMO/ 7.50%PPO decreasing to 6.00%HMO/ 6.00%PPO)
District's net OPEB liability	$	925,068	961,293	1,400,852

For the fiscal years December 31, 2020 and 2019, the District recognized OPEB expense of $216,157 and $68,674, respectively.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, the District reported no deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		2020		2019	
Description		**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
OPEB contributions subsequent to the measurement date	$	95,993	-	78,182	-
Experience gains and losses		1,405,033	-	-	-
Changes in assumptions		-	(531,151)	-	-
Differences between expected and actual return on investments		-	(6,339)	-	(4,198)
Total	$	1,501,026	(537,490)	78,182	(4,198)

(8) Other Post-Employment Benefits (OPEB) Plan, continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Actuarially Determined Deferred Outflows and (Inflows) - OPEB Plan

Fiscal Year Ending June 30:		Experience Gains and Losses	Changes in Assumptions	Net, Differences between Projected and Actual Return on Investments	Net, Deferred Outflows/ (Inflows) of Resources
2021	$	114,231	(43,184)	(1,138)	69,909
2022		114,231	(43,184)	(1,139)	69,908
2023		114,231	(43,184)	(3,407)	67,640
2024		114,231	(43,184)	(655)	70,392
2025		114,231	(43,184)	-	71,047
Thereafter		833,878	(315,231)	-	518,647
Total	$	1,405,033	(531,151)	(6,339)	867,543

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

See page 51 for the Required Supplementary Schedule.

(9) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

(9) Defined Benefit Pension Plan, continued

Benefits Provided, continued

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. For employees hired prior to January 1, 2013, who are current members of CalPERS or a reciprocal agency as of December 31, 2012 and have not been separated from service from such agency for more than six months, the retirement benefit is 2.0% @ 60 years of age; highest single year of compensation. All other employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect at fiscal year December 31 are summarized as follows:

	Miscellaneous Plan			
	2020		2019	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates				
Six months ended June 30	6.915%	6.250%	6.912%	6.250%
Six months ended December 31	6.918%	6.750%	6.915%	6.750%
Required employer contribution rates				
Six months ended June 30	8.081%	6.985%	7.634%	6.842%
Six months ended December 31	8.794%	7.732%	8.081%	6.985%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year December 31, the contributions recognized as part of pension expense for the Plan was as follows:

	Miscellaneous Plan	
	2020	2019
Contributions – employer	$ 120,477	108,686
Contributions – employee (paid by employer)	65,242	57,373
Total employer paid contributions	$ 185,719	166,059

(9) Defined Benefit Pension Plan, continued

Net Pension Liability

As of the fiscal year December 31, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Miscellaneous Plan	
	2020	**2019**
Proportionate share of net pension liability	$ 799,418	702,837

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of the fiscal years ended December 31, 2020 and 2019, the net pension liability of the Plan is measured as of June 30, 2020 and June 30, 2019 (the measurement dates), respectively. The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and June 30, 2018 (the valuation dates), rolled forward to June 30, 2020 and 2019, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement dates June 30, were as follows:

Proportional Share	Miscellaneous Plan
Measurement Date of June 30, 2019	
for the year ended December 31, 2019	0.00686%
Measurement Date of June 30, 2020	
for the year ended December 31, 2020	0.00735%
Change – Increase (Decrease)	0.00049%

The District's proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement dates June 30, were as follows:

Proportional Share	Miscellaneous Plan
Measurement Date of June 30, 2018	
for the year ended December 31, 2018	0.00636%
Measurement Date of June 30, 2019	
for the year ended December 31, 2019	0.00686%
Change – Increase (Decrease)	0.00050%

Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal years ended December 31, 2020 and 2019, the District recognized pension expense of $184,827 and $179,930, respectively.

(9) Defined Benefit Pension Plan, continued

Deferred Outflows/Inflows of Resources Related to Pensions, continued

As of December 31, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions subsequent to the measurement date	$ 101,412	-	81,304	-
Net differences between actual and expected experience	41,196	-	45,030	-
Net changes in assumptions	-	(5,702)	21,632	-
Net differences between actual contribution and proportionate share of contribution	-	(44,201)	-	(29,657)
Net adjustment due to differences in proportions of the net pension liability	71,689	-	68,954	-
Net differences between projected and actual earnings on plan investments	23,748	-	-	(12,287)
Total	$ 238,045	(49,903)	216,920	(41,944)

As of December 31, 2020 and 2019, the District reported $101,412 and $81,304, as deferred outflows of resources related to pension contributions subsequent to the measurement dates June 30, 2020 and 2019, and will be/were recognized as a reduction of the net pension liability for the fiscal years ended December 31, 2021 and 2020, respectively.

As of December 31 other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending December 31,	Deferred Net Outflows/ (Inflows) of Resources
2021	$ 23,443
2022	30,723
2023	21,028
2024	11,536
2025	-
Thereafter	-

(9) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities in the actuarial valuations dated June 30, 2019 and 2018, were determined using the following actuarial assumptions and methods:

Valuation Dates	June 30, 2019 and 2018
Measurement Dates	June 30, 2020 and 2019
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2020 and 2019 – 2.50%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial Experience Survey assumption were based	2020 and 2019 – 1997-2015
Post Retirement Benefit	2020 and 2019 – Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

* The mortality table used above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

At the measurement dates, June 30, 2020 and 2019, the discount rate used to measure the total pension liability was 7.15% for the Plan, respectively. The discount rate reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

(9) Defined Benefit Pension Plan, continued

Discount Rate, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

As of the measurement date June 30, 2020, the target allocation and the long-term expected real rate of return by asset class is as follows:

Asset Class	Target Allocation	Real Return Years 1-10	Real Return Year 11+
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0	1.00	2.62
Inflation Sensitive	0.0	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Asset	13.0	3.75	4.93
Liquidity	1.0	0.00	(0.92)
Total	100.0%		

As of the measurement date June 30, 2019, the target allocation and the long-term expected real rate of return by asset class is as follows:

Asset Class	Target Allocation	Real Return Years 1-10	Real Return Year 11+
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0	1.00	2.62
Inflation Sensitive	0.0	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Asset	13.0	3.75	4.93
Liquidity	1.0	0.00	(0.92)
Total	100.0%		

(9) Defined Benefit Pension Plan, continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate.

As of fiscal year end December 31, 2020, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's net pension liability	$ 1,381,041	799,418	318,841

As of fiscal year end December 31, 2019, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's net pension liability	$ 1,232,098	702,837	265,969

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 52 and 53 for the Required Supplementary Information.

Payable to the Pension Plan

At December 31, 2020 and 2019 the District reported $0 in payables for the outstanding amount of contribution to the pension plan, respectively.

(10) Net Position

As of December 31, the calculation of net position is as follows:

	2020	2019
Investment in capital assets:		
Capital assets – not being depreciated	$ 2,476,677	584,271
Capital assets – being depreciated, net	7,418,443	7,629,157
Total investment in capital assets	9,895,120	8,213,428
Unrestricted net position:		
Non-spendable net position:		
Materials and supplies inventory	113,518	93,050
Prepaid expenses	43,024	43,086
Prepaid water rights – current	244,946	254,541
Prepaid water rights – long-term	208,770	222,470
Total non-spendable net position	610,258	613,147
Spendable net position is designated as follows:		
Capital reserve	875,000	875,000
Operating reserve	317,387	317,387
Emergency reserve	200,000	200,000
Unrestricted	(558,402)	1,057,307
Total spendable net position	833,985	2,449,694
Total unrestricted net position	1,444,243	3,062,841
Total net position	$ 11,339,363	11,276,269

(11) Facility and Service Contract Revenue

Water Treatment Services – Baldwin Park Operable Unit (BPOU)

On March 29, 2002, the District entered into the Baldwin Park Operable Unit (BPOU) Project Agreement to address the contamination of groundwater in the San Gabriel Valley Superfund Sites. In the agreement, the United States Environmental Protection Agency (EPA) named certain entities as potentially responsible parties (PRPs) and local water agencies (Water Entities) from which the District is included.

The Water Entities filed lawsuits against the PRPs for costs allegedly incurred in meeting their water supply and distribution needs and for claims for damages allegedly suffered as a result of the involuntary conversion of their property and rights due to contamination of the groundwater and water supply wells in the BPOU area. In the lawsuits, the Water Entities claim a taking of and damage to their property and rights by the PRPs. The PRPs dispute these claims.

While disputing the Water Entities' claims, and without admitting or acknowledging any fault or liability, the PRPs settled the Water Entities' lawsuits and claims by entering into a settlement agreement to fund the reasonable and necessary costs of design, construction, operation, maintenance and management of groundwater extraction, treatment and distribution facilities within the BPOU area. In addition, the PRPs agreed to pay certain other compensation for the purpose of settling the lawsuits brought, claims made, and proceedings initiated (and imminently to be initiated) against the PRPs.

(11) Facility and Service Contract Revenue, continued

Water Treatment Services – Baldwin Park Operable Unit (BPOU), continued

As part of this settlement agreement, the La Puente Valley County Water District received reimbursement for the costs related to the construction of extraction, treatment and distribution facilities. In addition to the reimbursements of these capital costs, the District will receive an amount on an annual basis for reimbursement for operations and maintenance expenses. At December 31, 2020 and 2019, the District reported water treatment service revenue and related water treatment costs of $1,050,580 and $882,126, respectively.

Retail Water Distribution System Management Fee – City of Industry

On March 1, 2004, the District has entered into a 10-year operation and management agreement with the City of Industry wherein the District will operate, maintain and manage the portable water distribution system (the system) owned by the City of Industry. Under the agreement, the District will perform all routine and preventive maintenance and repair of the system's facilities as necessary for the efficient operation of the system. The District will also be responsible for managing contractual arrangements for the exchange of water supplies between the District's water system and the system, and performs all billings, collections, disbursements, accounting and record-keeping functions related to the system.

The system consists of approximately three wells and other production facilities, 30,000 feet of pipeline, three storage tanks and four booster pump stations and other related water storage and distribution facilities.

On October 14, 2010, the agreement was amended to extend the service period to February 28, 2024.

Under terms of the agreement, the District will receive an initial annual management fee of $175,000 per year on a quarterly basis increasing at a rate of 2% per year thereafter. As of December 31, 2020 and 2019 the District reported retail water distribution system management fee revenue of $193,214 and $189,426, respectively.

Water Treatment Project and Services – Puente Valley Operable Unit Intermediate Zone (PVOU IZ)

On October 8, 2014, the District entered into an interim participation agreement with the Puente Basin Water Agency (PBWA) and Northrop Grumman Systems Corporation (Northrop Grumman), named as a potentially responsible party by the United State Environmental Protection Agency, for the clean-up of groundwater from the Puente Valley Operable Unit Intermediate Zone (PVOU IZ) in the Main San Gabriel Groundwater Basin.

Northrop Grumman shall retain responsibility for managing extraction of the impacted groundwater, satisfying regulatory requirements for remediation, auditing all contracts, and paying all reasonable costs for the remediation of the impacted groundwater. Northrop Grumman has developed plans to remediate the contaminated groundwater through a system comprised of groundwater extraction wells, collection pipelines and treatment plant for which it will retain the custody of. The District has agreed to support and coordinate with Northrop Grumman on necessary permits, government approvals and construction of the Project. As of December 31, 2020, Northrop Grumman was in the construction phase of the PVOU IZ Treatment Plant project with an expected projected completion date of July 31, 2021.

The end users of the treated groundwater were originally planned to be the District and the PBWA. However, due to impacts from the PVOU IZ groundwater contamination to a well owned by neighboring water purveyor, Suburban Water Systems (SWS), the end user of the treated groundwater has changed to the District and SWS. In order to deliver the treated groundwater to the District and SWS, construction of certain water system improvements is required. In February of 2018, the District entered into two agreements, 1) with Northrop Grumman for operation services of the PVOU IZ Treatment Plant; and 2) with SWS and Northrop Grumman for the delivery and beneficial use of the treated water from the facility.

(11) Facility and Service Contract Revenue, continued

Water Treatment Project and Services – Puente Valley Operable Unit Intermediate Zone (PVOU IZ), continued

The District is responsible for the permitting, designing and constructing of the improvements required for the District to receive water from the treatment plant. This includes interconnections at Hudson Avenue and an upgrade of a 16-inch interconnection at Industry Hills Pumps Station No. 1 between the District and Industry Public Utilities. These necessary improvements will be reimbursed by Northrop Grumman. As of December 31, 2020, these improvements are in the planning phase and construction has not yet begun.

Once construction of the PVOU IZ Treatment Plant is complete the District will be responsible for staffing and operating the treatment plant to meet all applicable drinking water standards, as well as for delivering the finished water to end users. All District labor and administrative costs associated with the operation of the Treatment Plant will be reimbursed or paid for within an Operation and Management Fee to be negotiated between Northrop Grumman and the District.

At December 31, 2020 and 2019, the District reported project service revenue of $170,056 and $13,650, respectively.

(12) Rental Revenue

The District owns property adjacent to its District administration building on Main Street in La Puente, California. On March 19, 2014, the District signed an agreement to lease the property site. The term of the agreement calls for monthly payments ranging from $2,688 to $3,507 for the period beginning April 1, 2014 through March 31, 2024. As of December 31, 2020 and 2019, rental revenue collected was $35,315 and $37,119, respectively.

As of December 31, 2020, future minimum rental payments are due as follows:

Fiscal Year Ending December 31,		Amount
2021	$	39,380
2022		40,562
2023		41,778
2024		10,521
	$	92,861

(13) Deferred Compensation Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program) administered by Lincoln Financial. The purpose of this program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseen emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. As of December 31, 2020 and 2019 the market value of all plan assets held in trust by the District plan amounted to $848,983 and $690,203, respectively.

(13) Deferred Compensation Plan, continued

The District has implemented GASB Statement No. 32, Accounting for Financial Reporting for Internal Revenue code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function of this plan, the assets and related liabilities are not shown on the Statements of Net Position.

(14) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (JPIA), an intergovernmental risk sharing joint powers authority created under provisions of California Government Code Sections 6500 et. seq. The purpose of the JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess or specialty-insurance coverage above retained limits.

As of December 31, 2020, the District participated in the liability, property programs, and workers' compensation programs of the JPIA as follows:

- General, Automobile, Employment Practices & Public Officials' Liability. Broad coverage against third-party claims for the Agency, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for first $5 million and purchases excess coverage with limit up to $55 million with aggregated policy limits.

In addition to the coverage described below, the District also has the following coverage:

- Property Loss: Covered up to replacement value with a $1,000 deductible per occurrence on scheduled buildings, fixed equipment and contents, actual cash value on scheduled mobile equipment with a $1,000 deductible per occurrence and actual cash value on scheduled vehicles with a $500 deductible per occurrence. JPIA is self-insured up to $100,000 per loss and has purchased re-insurance coverage up to a $500,000,000 limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of $100,000,000 with deductible $25,000 to $50,000 depending on type of equipment.

- Cyber Liability: Including Cyber Security up to $3,000,000 per occurrence and $5,000,000 Aggregate Limit. Cyber Liability Deductible varies from $10,000 to $50,000 depending on Agency Revenue.

- Employee Dishonesty/Crime Supplement: Covered up to $100,000 per occurrence with a $1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer. The District also purchases excess crime coverage, with a limit of $1,000,000.

- The District also participates in the Difference in Conditions Group Purchase Policy. The policy provides replacement value of real and personal property owned by the Agency when damaged by an earthquake or flood. Replacement Cost valuation, not to exceed stated value of real and personal property located at various locations, as per schedule on file with aggregate limits of $25,000,000. Minimum deductibles are $25,000 for Flood and 5% of value for Earthquake, with minimum $25,000.

Separate financial statements of JPIA can be obtained at 2100 Professional Drive, Roseville, CA 95661 or http://www.acwajpia.com/FinancialStatements.aspx.

(14) Risk Management, continued

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending December 31, 2020, 2019, and 2018. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2020, 2019, and 2018, respectively.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2020, that has effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 90, continued

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year.

Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 92, continued

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap;(6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 94, continued

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 97, continued

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

(16) Commitments and Contingencies

Water Rights Purchase Commitment

On July 1, 2015, the District entered into an agreement purchase commitment of leased water production rights for water production years 2018, 2019 and 2020. The available water production rights for lease are determined by the Watermaster's Operating Safe Yield, which is typically set in May of each year. The District has agreed to lease the rights at 91% of the price to purchase replenishment water from another governmental agency effective July of each year. The District estimates there will be 313.72 acre-feet of water production rights available for lease at an estimated purchase price of $780.78 per acre-foot.

On October 2, 2017, the District entered into an agreement purchase commitment of leased water production rights for water production years 2019, 2020 and 2021. Terms of the agreement allow for up to 1,000 acre feet per year. The lease rate is based upon the Tier 1 Untreated Water Rate charges set by the Metropolitan Water District plus any charges set by San Gabriel Valley Upper District.

As of December 31, 2020 and 2019, the District prepaid for the water rights as described in note 4. As of December 31, 2020 and 2019, remaining purchase commitment balance of estimated water production rights for the 2020 and 2019 water production years were $244,946 and $254,541, respectively.

Recycled Water Project

On November 1, 2015, the District entered into a memorandum of understanding (MOU) with Upper San Gabriel Valley Municipal Water District (Upper District), a wholesale provider of recycled water, to facilitate the establishment and expansion of the District's recycled water service area. The term of this MOU is for 25 years commencing on November 1, 2015 and concluding October 31, 2040. Under the MOU, the District will own, operate and maintain the recycled water assets comprised of a pump station and recycled water lines (Project). In October 2019, the MOU was amended to account for changes in the Project, the administrative process for grant funding distribution and the Metropolitan Water District's Local Resource Program.

(16) Commitments and Contingencies, continued

Recycled Water Project, continued

The District is funding the Project in its entirety, supplemented by any and all available financial assistance and grant funding, except for the design phase of the Project which will be completed by the Upper District. In addition, the Upper District will prepare and submit for financial assistance from Metropolitan Water District's Local Resource Program and grant funding from Proposition 84 to offset the District's capital cost of the Project. Terms of the agreement call for the District to reimburse Upper District for 50% of the final design cost.

Once the recycled water plant is complete, Upper District has agreed to sell recycled water to the District at Upper District's cost from Los Angeles County Sanitation District, plus an annual fee for administrating the Metropolitan Water District's Local Resource Program.

As of December 31, 2020, all construction and equipment related to this Project was completed with the exception of the Southern California Edison power connection to the pump station. It is anticipated that the construction activities to power the pump station will be completed by the end of the 3rd quarter of 2021.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. Nevertheless, after consultation with legal counsel, the District believes that these actions, when finally concluded and determined, are not likely to have a material adverse effect on the District's financial position, results of operations, or cash flows.

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

(17) Subsequent Events

Events occurring after December 31, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of May 24, 2021, which is the date the financial statements were available to be issued.

Required Supplementary Information

La Puente Valley County Water District
Schedules of Changes in the District's Net OPEB Liability and Related Ratios
As of December 31, 2020
Last Ten Years*

		2020	2019	2018
Total OPEB Liability				
Service cost	$	88,905	86,316	81,361
Interest		119,982	113,110	104,071
Changes in benefit terms		-	-	-
Experience (gains)/losses		1,569,520	-	-
Changes in assumptions		(574,335)	-	-
Benefit payments		(3,182)	(43,035)	(36,432)
Expected minus actual benefit payments		(50,256)	-	-
Net change in total OPEB liability		1,150,634	156,391	149,000
Total OPEB liability – beginning		1,976,762	1,820,371	1,671,371
Total OPEB liability – ending	$	3,127,396	1,976,762	1,820,371
Plan Fiduciary Net Position				
Contributions employer	$	78,182	155,535	161,432
Net investment income		63,162	67,277	33,111
Investment gains/(losses)		3,279	-	-
Benefit payments		(3,182)	(43,035)	(36,432)
Administrative expenses		(523)	(191)	(378)
Other		-	-	(899)
Net change in plan fiduciary net position		140,918	179,586	156,834
Plan fiduciary net position – beginning		1,015,469	835,883	679,049
Plan fiduciary net position – ending		1,156,387	1,015,469	835,883
Net OPEB liability – ending	$	1,971,009	961,293	984,488
Plan fiduciary net position as a percentage of the total OPEB liability		36.98%	51.37%	45.92%
Covered payroll	$	1,031,429	1,090,770	1,059,000
Net OPEB liability as a percentage of covered payroll		191.10%	88.13%	92.96%

Notes:

* Historical information presented above follows the measurement periods for which GASB 74 & 75 were applicable. The District has presented information for those years for which information is available until a full 10-year trend is compiled.

La Puente Valley County Water District
District's Proportionate Share of the Net Pension Liability
As of December 31, 2020
Last Ten Years*

Description		Fiscal Year						
		June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability		0.00735%	0.00686%	0.00636%	0.00634%	0.00596%	0.00490%	0.00673%
District's proportionate share of the net pension liability	$	799,418	702,837	612,406	628,508	515,576	336,132	418,940
District's covered payroll	$	1,031,429	1,046,701	1,005,625	971,214	842,275	878,289	788,280
District's proportionate share of the net pension liability as a percentage of its covered payroll		77.51%	67.15%	60.90%	64.71%	61.21%	38.27%	53.15%
Plan's fiduciary net position as a percentage of the total pension liability		81.71%	82.14%	82.75%	80.52%	82.30%	87.57%	83.30%

Notes:

***Changes in Benefit Terms* –** There were no changes in benefit terms for the measurement date June 30, 2020.

***Changes of Assumptions* – –** There were no changes in assumptions for the measurement date June 30, 2020.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

La Puente Valley County Water District
Pension Plan Contributions
As of December 31, 2020
Last Ten Years*

Description		Fiscal Year June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Actuarially determined contribution	$	125,476	108,909	105,990	81,407	67,743	67,711	76,316
Contributions in relation to the actuarially determined contribution		(120,477)	(108,686)	(95,541)	(83,075)	(69,343)	(71,736)	(203,999)
Contribution deficiency (excess)	$	4,999	223	10,449	(1,668)	(1,600)	(4,025)	(127,683)
District's covered payroll	$	1,031,429	1,046,701	1,005,625	971,214	842,275	878,289	788,280
Contribution's as a percentage of covered payroll		11.68%	10.38%	9.50%	8.55%	8.23%	8.17%	25.88%

Notes:

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

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Report on Internal Controls and Compliance

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Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
La Puente Valley County Water District
La Puente, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the La Puente Valley County Water District (District), which comprise the statement of net position as of December 31, 2020 and 2019 and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon date May 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards, continued*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
May 24, 2021